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RUEHLO/AMEMBASSY LONDON PRIORITY 4061
RUEHML/AMEMBASSY MANILA PRIORITY 1694
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 9796
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C O N F I D E N T I A L KATHMANDU 001371

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DEPT FOR SCA/INS
MANILA FOR PSPELTZ

E.O. 12958: DECL: 05/30/2016
TAGS: [ECON](#) [EINV](#) [PGOV](#) [PTER](#) [NP](#)
SUBJECT: INDUSTRIAL SECURITY GROUP CONDEMNS MAOIST EXTORTION

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

SUMMARY

1. (C) On May 26, the Ambassador hosted a meeting of the Industrial Security Group (ISG) to discuss Maoist extortion, the Government of Nepal's (GON) ability to revive the economy, and the trouble the Maoist aligned All Nepal Trade Union Federation (ANTUF) had been causing. (Note: The ISG comprises representatives of the Embassies of France, Germany, India, the United Kingdom, the U.S., and the Delegation of the European Commission, along with their respective bilateral Chambers of Commerce. A member of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), the apex body for all Chambers of Commerce in Nepal, also participated. End Note.) Members of the Chambers of Commerce said all businessmen were feeling the pinch of extortion, and reported that Maoists were asking for amounts as high as USD 140,000. The group stressed the need for the Chambers of Commerce to unite in their efforts to combat extortion. Several business leaders said the GON needed to act quickly to build its legitimacy and revive the economy. The Maoist trade union had been stealing lists of employees from factories in its efforts to forcibly recruit more members. The ISG agreed to issue a press release condemning Maoist extortion and pledging its support to create prosperity for Nepal. End Summary.

EXTORTION AND THREATS OF ABDUCTIONS RAMPANT

2. (C) Members of the respective Chambers of Commerce shared numerous stories of Maoist extortion and threats of abduction at the May 26 ISG meeting. Rajendra Khetan, Nepal-Britain Chamber of Commerce and Industry (NBCCI), said he had heard of a Maoist putting a pistol to a factory manager's head to back up extortion demands. Khetan himself has changed his phone numbers and even then speaks in hushed tones on the phone, worried about who might be listening. Sunil Sakya, Nepal-USA Chamber of Commerce and Industry (NUSACCI), said that businesses were definitely feeling the pinch of extortion. Prasidha Pandey, President of NUSACCI and a hotelier, said the going extortion rate for a hotel owner was

USD 140,000. Khetan said extortion figures for other businesses were in the USD 14,000 range. He added that Maoists were threatening to abduct people who did not pay. The Ambassador said that he hoped to see the end of extortion and stressed that if it did not end, the international community would have to come up with an action plan.

BUSINESS COMMUNITY NOT UNITED

13. (C) It was apparent at the meeting that the business community had not yet united efforts to combat extortion. Chandi Raj Dhakal, President of the FNCCI, explained how, on behalf of FNCCI, he had negotiated with the Maoist trade front, ANTUF, and was told by ANTUF leaders that extortion would cease, but not overnight. The Counselor at the Embassy of India, Vivek Jhori, stressed that extortion could not be allowed in a democratic system and urged the business community to assert itself with a joint voice. Khetan noted how trade unions in Birgunj (south-central Nepal) came out strongly against Maoist extortion. (Note: In the face of Maoist extortion and ANTUF disturbances, the Birgunj Chamber of Commerce and Industry (BCCI) threatened to shut down all industries in Birgunj. The BCCI subsequently carried through with its threat and signed a pact on May 23 with ANTUF which should resolve BCCI's problems. End Note.) Arun Chaudhary, Nepal-India Chamber of Commerce and Industry (NICCI), noted that all the Chambers of Commerce were going in their own direction and said the BCCI was very brave to have followed through with the threat to shut down all industries unless Maoist extortion ceased. He commented that businesses had to resort to such measures because no one else was protecting the human right to work of industrial workers. He challenged the FNCCI to support a similar position as the BCCI: stop extortion or we will shut down all business activities.

BUSINESS LEADERS WORRIED HOW GOVERNMENT WILL HANDLE THE ECONOMY

14. (C) Several members of the ISG expressed doubt that the new GON could negotiate peace and revive the economy. Narendra Basnyat, founding member of the NUSACCI, accused the GON of fighting over ministerships and other government positions. He opined that this government was no better than the first democratic government of Nepal in 1991. He stressed that it was important to push the government to act quickly, as weak governance only favored the Maoists. Khetan suggested that industrial unrest and security needed to be addressed in the Code of Conduct being negotiated between the government and Maoists. Rohini Thapaliya, Nepal-German Chamber of Commerce and Industry (NGCCI), said the economy was not a priority of the new GON. Chaudhary suggested he would support a GON "Maoist rehabilitation tax" in exchange for Maoists not disturbing businesses. He said that confidence in Nepal's economy was at an all-time low. Khetan recommended that the GON develop two separate task forces, one to negotiate peace with the Maoists, and another for government reform in the social and economic sectors. The Ambassador noted that Maoist extortion of businesses and Maoist talk of a parallel government were worrisome. He stressed to the group that, if the Maoists failed to peacefully join the political mainstream, businesses should judge the Maoists on their actions and not be quick to blame the GON.

MAOIST TRADE UNION UPSETTING INDUSTRIAL LABOR

15. (C) Khetan highlighted that members of ANTUF, in an effort to forcefully pressure workers to join their union, were taking the lists of employees from factories. The lists contained the labor union affiliation of all the workers. Thapaliya commented that the three legitimate trade unions felt they were being sidelined by the ANTUF. Dhakal announced he was having a meeting with all four trade unions on May 29 in an effort to address the tense situation between the ANTUF and the three legitimate trade unions.

ISG AGREES ON PRESS STATEMENT

16. (U) The ISG issued a press release on May 26. The text follows.

Begin Text.

ISG URGES MAOISTS TO CEASE EXTORTIONS

The Industrial Security Group (ISG) expresses its deep concern about continued extortion of businesses and industries across Nepal. We call upon the Maoists to cease all extortion and violent intimidation, to denounce these activities, and to fully implement their public commitments to avoid such criminal behaviors. The business community looks forward to contributing to creating employment and prosperity for Nepal.

The ISG comprises representatives of the Embassies of France, Germany, India, the United Kingdom, the United States of America, and the Delegation of the European Commission, along with their bilateral Chambers of Commerce.

As the Acting Chair of the ISG, this statement is issued by the U.S. Embassy in Kathmandu on behalf of the Embassy and bilateral Chamber of Commerce members of the ISG, and the Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

End Text.

COMMENT

17. (C) Business leaders are worried about the economy and their personal safety. Although individual political leaders have spoken out, the GON has yet to move against extortion and needs to do so. The GON also needs quickly to revive Nepal's economy. Despite having signed a ceasefire Code of Conduct that prohibits extortion (septel), the Maoists are unlikely to abandon the practice readily: continued extortion will not only provide the Maoists badly needed funds but will also make the GON look weak and ineffective.

MORIARTY